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Message Text

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43
ACTION EUR-12

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-03 H-02 INR-07 L-02

NSAE-00 NSC-05 PA-02 RSC-01 PRS-01 SP-02 SS-15

USIA-15 EB-07 COME-00 TRSE-00 FRB-01 OPIC-06 OMB-01

AID-05 SIL-01 LAB-04 /093 W
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R 141400Z JAN 75
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TO SECSTATE WASHDC 8990
INFO AMEMBASSY BONN
AMEMBASSY LONDON
AMEMBASSY PARIS
US MISSION EC BRUSSELS 5844

UNCLAS ROME 518

E.O. 11652: N/A
TAGS: PINT, ELAB, IT
SUBJECT: FURTHER PRODUCTION CUTBACKS REQUIRED AT FIAT

REF: ROME'S A-747, DECEMBER 4, 1974, AND PREVIOUS

1. /BEGIN SUMMARY/. THE EXTENDED WORK CUTBACKS DURING THE CHRISTMAS HOLIDAYS HAVE FAILED TO SOLVE FIAT'S PROBLEMS OF OVERPRODUCTION. IN FACT, STOCKS OF UNSOLD CARS HAVE INCREASED. LABOR AND MANAGEMENT HAVE BEEN DISCUSSING THE PROBLEM, WITHOUT AGREEMENT, FOR FOUR DAYS. THOUGH LABOR IS OPPOSED TO FURTHER WORK REDUCTIONS, THERE IS LITTLE ALTERNATIVE TO ACCEDING TO FIAT'S PLAN TO PLACE 65,000 AUTO WORKERS AND MOST OF THE 20,000 TRUCK WORKERS ON A THREE-DAY WEEK THROUGHOUT FEBRUARY AND MARCH, VIA THE WAGE SUPPLEMENT FUND. /END SUMMARY/.

2. OFFICIALS OF THE THREE MAJOR METAL WORKERS UNIONS AND TOP FIAT MANAGEMENT REPRESENTATIVES HAVE BEEN DISCUSSING FOR FOUR DAYS FIAT'S NEED FURTHER TO REDUCE AUTOMOBILE PRODUCTION. OVER THE NOVEMBER-DECEMBER PERIOD WHICH INCLUDED THE LENGTHY
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"BRIDGE" (SHUTDOWN) DURING CHRISTMAS, FIAT'S STOCKS OF UNSOLD

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AUTOMOBILES ACTUALLY ROSE FROM 300,000 TO 345,000, RATHER THAN BEING REDUCED AS WAS ANTICIPATED. FIAT PROPOSES TO PLACE MOST OF ITS PRODUCTION WORKERS ON SHORT HOURS, VIA THE WAGE SUPPLEMENT FUND, THROUGHOUT FEBRUARY AND MARCH, THUS LINKING UP WITH THE "BRIDGE" ALREADY AGREED TO DURING THE EASTER HOLIDAYS. MANAGEMENT'S PROPOSAL IS TO ACCOMPLISH THIS BY WORKING A THREE-DAY WEEK.

3. THE LABOR-MANAGEMENT TALKS HAVE BEEN INCONCLUSIVE. LABOR HAS ACCUSED MANAGEMENT OF BEING "INDIFFERENT" TO THE PROBLEM, AND OF HAVING BEEN LESS THAN DILIGENT IN MAINTAINING SUFFICIENT SALES TO ABSORB THE (REDUCED) PRODUCTION. THIS HAS ELICITED A STRONG FIAT DENIAL. THE MANAGEMENT SPOKESMAN POINTS OUT THAT A NEW MODEL HAS BEEN INTRODUCED (THE FIAT 131) AND IS BEING VIGOROUSLY PROMOTED, AND THAT THE PROBLEM IN THE AUTO SECTOR IS BY NO MEANS RESTRICTED TO ITALY. THE MANAGEMENT SPOKESMAN ADDS THAT THERE ARE ALSO DIFFICULTIES WITH TRUCK SALES -- SOME 15,000 UNITS ARE IN STOCK -- AND "WE ARE READY TO PRODUCE BUSES, BUT NO ONE IS ORDERING THEM."

4. COMMENT: THE SECRETARIAT OF THE FEDERATION CGIL-CISL-UIL (CCU) IS MEETING TODAY TO DISCUSS THE FIAT SITUATION. IN THE END, LABOR HAS LITTLE REAL ALTERNATIVE TO ACCEPTING MANAGEMENT'S ASSERTED NEED TO PLACE SOME 65,000 AUTO WORKERS AND NEARLY AL THE 20,000 TRUCK WORKERS ON THE WAGE SUPPLEMENT FUND. LABOR'S ACCUSATIONS AGAINST MANAGEMENT ARE VALID AT LEAST TO THE EXTENT THAT SALES PROSPECTS WERE CLEARLY BADLY MISCALCULATED, THUS ACCOUNTING FOR THE FURTHER RISE IN THE NUMBER OF UNSOLD VEHICLES.VOLPE

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